

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 CU-02 EB-07 OES-03 TRSE-00 COME-00 L-03

CIAE-00 INR-07 NSAE-00 AID-05 SP-02 OPIC-03 AGR-05

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R 171140Z DEC 75

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 2875

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PASS OPIC FOR GREGG

EO 11652: NA

TAGS: USINJC, EAGR, EIND, US, IN

SUBJ: INDO-US JOINT COMMISSION - ECONOMIC/COMMERCIAL

SUBCOMMISSION - NEXT STEPS

REF: STATE 237204 STATE 247193

FOLLOWING INFORMAL CONVERSATIONS WITH GOI OFFICIALS, THE EMBASSY PROGRAM COMMITTEE RECENTLY MET TO REVIEW NEXT STEPS IN THE FIELDS COVERED BY THE CONOMIC/ COMMERCIAL SUBCOMMISSION. THE REVIEW COVERED THE JOINT BUSINESS COUNCIL, THE AGRICULTURAL INPUTS WORKING GROUP, THE INDUSTRIAL COOPERATION WORKING GROUP, AND THE ECONOMIC/COMMERCIAL SUBCOMMISSION ITSELF. EMBASSY RECOMMENDATIONS FOLLOW:

1. JOINT BUSINESS COUNCIL (JBC): THE JBC WILL MEET IN NEW DELHI IN THE FIRST WEEK OF FEBRUARY. A CHAMBER OF COMMERCE STAFF MAN HAS ALREADY REACHED GENERAL AGREEMENT ON AN AGENDA WITH FICCI STAFF AND ALL ADMINISTRATIVE ARRANGEMENTS WOULD APPEAR WELL IN HAND. THERE ARE STILL SOME PROBLEMS ON THE COMPOSITION OF THE INDIAN DELEGATION (ROLE OF IACC AND

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ASSOCHAM), BUT THIS IS AN ISSUE THAT WILL HAVE TO BE

SORTED OUT BY THE INDIANS. THE GOI IS CONCERNED THAT THE US SIDE WILL TURN THE MEETING INTO A COMPLAINT SESSION ON THE PROBLEMS OF EXISTING US INVESTORS. WHILE THE GOI AND FICCI WOULD BE PREPARED TO HAVE SOME DISCUSSIONS ON EXISTING US INVESTMENT PROBLEMS, THEY WOULD PREFER THAT THE MEETING CONCENTRATE ON SUCH "POSITIVE" ISSUES AS HOW TO INCREASE TRADE AND THIRD COUNTRY COOPERATION. OUR RECOMMENDATION IS THAT THE DEPARTMENT TALK WITH ORVILLE FREEMAN WELL IN ADVANCE OF THE MEETING IN ORDER TO REVIEW THE CURRENT INDIAN ECONOMIC AND POLITICAL SCENE AS WELL AS TO OBTAIN AN IMPRESSION OF THE DIRECTIONS IN WHICH FREEMAN WISHES TO PROCEED. WE RECOMMEND THAT US DEL ARRIVE A FEW DAYS BEFORE THE MEETING IN ORDER TO REST AS WELL AS TO ALLOW TIME FOR INFORMAL MEETINGS WITH EMBASSY AND WITH LOCAL US BUSINESS COMMUNITY. GOI AND FICCI WOULD LIKE TO ENCOURAGE US DEL TO REMAIN AFTER MEETING AND ARE PREPARED TO SET UP PERSONALIZED TRAVEL PROGRAMS TO BRING INDIVIDUAL DELEGATES IN CONTACT WITH SECTORS OF INDIAN ECONOMY WHICH ARE OF INTEREST TO THEM. WE THINK THIS COULD BE REWARDING IF US DELS HAVE THE TIME.

2. AGRICULTURAL INPUTS WORKING GROUP: THE FOLLOWING COMMENTS ARE KEYED TO THE PARA NUMBERING IN THE SUMMARY OF THE SECOND MEETING OF THE WORKING GROUP:

GOI HAS RECENTLY HAD INTERMINISTERIAL MEETING TO DESIGNATE CONTACT POINTS IN ORDER TO CARRY OUT EXCHANGE OF INFORMATION UNDER PARAS 1, 2 AND 10. CONTACT POINTS WILL BE FURNISHED TO THE DEPARTMENT BY THE INDIAN EMBASSY. EMBASSY SEES NO PROBLEM IN PROPOSED EXCHANGES OF DATA BUT WOULD LIKE TO BE KEPT INFORMED.

GOI AND INDUSTRY SOURCES CONFIRM THAT GOI IS TRULY INTERESTED IN LONG TERM CONTRACTUAL ARRANGEMENTS FOR SUPPLY OF MAP (PARA 3). CURRENT BUREAUCRATIC PROBLEM IS THAT ELEMENTS OF GOI WOULD PREFER CONTRACTUAL AGREEMENT TO COVER ENTIRE INDIAN GOI FERTILIZER INDUSTRY RATHER THAN IFFCO ALONE. THIS IS A PROBLEM LIMITED OFFICIAL USE

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THAT WILL HAVE TO BE SORTED OUT ON THE INDIAN SIDE. INFORMAL DISCUSSIONS ARE TAKING PLACE WITH PROSPECTIVE US SUPPLIERS. WE RECOMMEND NO FURTHER US ACTION OTHER THAN A WILLINGNESS TO PROVIDE NORMAL COMMERCIAL ASSISTANCE IF GOI REQUESTS.

GOI HAS INCLUDED PESTICIDES IN LIST OF AREAS WHERE NEW US INVESTMENT IS DESIRED (PARA 4). EMBASSY SEES

LITTLE POINT IN TAKING ACTION ON THIS UNTIL GOI SORTS OUT ITS OWN INVESTMENT POLICY. WE WOULD HOPE THAT THIS POLICY WOULD BE CLARIFIED IN THE NEXT FEW MONTHS AND THAT A SUBSTANTIVE DISCUSSION COULD TAKE PLACE AT THE MARCH MEETING OF THE ECONOMIC/COMMERCIAL SUBCOMMISSION.

EMBASSY REMAINS SKEPTICAL ABOUT DESIRABILITY OF US COLLABORATION WITH INDIA ON FERTILIZER PRODUCTION (PARA 5). GOI TELLS US THAT REFERENCE TO AID COLLABORATION IN SOIL TESTING REFERS SOLELY TO A ONE-SHOT AID INTEREST IN OBTAINING CERTAIN INFORMATION WHICH HAS BEEN COLLECTED BY GOI IN INDIA. IF THIS IS THE CASE, WE HAVE NO OBJECTION. WE WOULD WANT TO KNOW A LOT MORE ABOUT PROSPECTIVE AID ROLE BEFORE MAKING ANY JUDGMENT ON ANYTHING BEYOND ONE-SHOT COLLECTION OF INFORMATION. WE DO NOT AT PRESENT FAVOR ANY FORM OF TECHNICAL ASSISTANCE IN INDIA. WE ARE DUBIOUS ABOUT IFDC COLLABORATION WITH INDIAN FERTILIZER INDUSTRY, BUT REALIZE THAT THIS IS A DECISION IFDC WILL HAVE TO MAKE FOR ITSELF. GOI OFFICIALS TELL US THAT THEY HOPE THE IFDC WOULD SEND OPERATING LEVEL OFFICIALS TO ASSIST THE INDIAN INDUSTRY (PARA 6). THE PROBLEM THE GOI SEES IS NOT OF TECHNOLOGY OR ENGINEERING, BUT RATHER HOW TO ORGANIZE ROUTINE MAINTENANCE AND OVERHAUL. IN EFFECT, THEY ARE LOOKING FOR SERGEANTS RATHER THAN GENERALS. WE ARE NOT IN A POSITION TO JUDGE WHETHER IFDC COULD RESPOND ON THAT LEVEL. WE WOULD LIKE TO KNOW MORE ABOUT THE NATURE OF SUCH COOPERATION AND ORGANIZATIONAL ASPECTS OF IFDC, E.G., WOULD DIRECT USG FUNDING BE INVOLVED, OR DOES IFDC TRULY HAVE A MULTILATERAL BUDGET?

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ACTION NEA-10

INFO OCT-01 ISO-00 CU-02 EB-07 OES-03 TRSE-00 COME-00 L-03

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WITH RESPECT TO THIRD COUNTRY COLLABORATION (PARA 7), NEITHER WE NOR THE INDIAN GOVERNMENT APPEARS TERRIBLY CLEAR AS TO WHAT IS CONTEMPLATED. WHILE THERE IS UNDOUBTEDLY SOME INDIAN EXPERTISE IN CERTAIN TROPICAL AND SUB-TROPICAL FIELDS, WE DO NOT KNOW WHETHER IFDC AND AID WOULD WISH TO RECRUIT SUCH EXPERTISE AND, IF SO, HOW.

WITH RESPECT TO JOINT RESEARCH (PARAS 8 AND 9), WE RECOMMEND THAT ALL JOINT RESEARCH TO BE FUNDED BY US HELD RUPEES BE HANDLED IN THE CONTEXT OF THE SCIENCE AND TECHNOLOGY SUBCOMMISSION. THIS WILL AVOID POSSIBLE DUPLICATION AND MEET THE GOI'S DESIRE THAT SUCH RESEARCH IN THE FUTURE BE CONCENTRATED IN AREAS OF PARTICULAR INTEREST TO THE GOI. WE UNDERSTAND THAT THE GOI CONCURS IN THIS APPROACH AND THAT A TRANSFER OF THIS SUBJECT MATTER TO SCIENCE AND TECHNOLOGY WOULD CAUSE NO PROBLEMS.

AS THE EMBASSY HAS REPORTED EARLIER, THERE IS CONSIDERABLE SKEPTICISM ABOUT THE DESIRABILITY OF THE MUCH TOO FREQUENTLY SCHEDULED SEMINARS WHICH TAKE PLACE IN INDIA (PARA II). WE SUGGEST THAT THIS SUBJECT BE LEFT TO GOI INITIATIVE.

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WE BELIEVE THAT VISITS BY OPIC OFFICIALS IN THE PAST MONTHS CLARIFIED THE EXTENT OF OPIC INVOLVEMENT IN THIRD COUNTRY COOPERATION. EMBASSY WOULD STILL WELCOME THE VISIT OF THE OPIC INSURANCE OFFICER FOR CONSTRUCTION AND ENGINEERING (NEW DELHI 14612) IF THIS CAN BE ARRANGED.

FINALLY, WE HAVE NO PARTICULAR RECOMMENDATION AS TO THE TIMING OF THE NEXT MEETING OF THE AGRICULTURAL

INPUTS WORKING GROUP. HOWEVER, IF IT IS TO BE HELD BEFORE THE NEXT ECONOMIC/COMMERCIAL SUBCOMMISSION MEETING, IT WILL NEED TO TAKE PLACE IN LATE FEBRUARY. PLEASE ADVISE WHETHER WASHINGTON AGENCIES ARE WILLING/INTERESTED IN SUCH AN EARLY MEETING OR WOULD PREFER TO SCHEDULE IT AT A LATER DATE.

3. INDUSTRIAL COOPERATION WORKING GROUP: GOI OFFICIALS STATE THEY HAVE NO INTEREST WHATSOEVER IN ESTABLISHMENT OF A WORKING GROUP ON INDUSTRIAL COOPERATION BUT ARE WILLING TO SEE SUCH A GROUP MEET IF THE US CONTINUES TO FIND IT USEFUL. GOI OFFICIALS STATE THAT THEY BELIEVE DEPARTMENT PUSHED THIS IDEA SINCE IT WOULD PROVIDE A MECHANISM BY WHICH OPIC COULD PARTICIPATE IN MEETINGS ON THIRD COUNTRY COOPERATION. GOI ON THE OTHER HAND WOULD PREFER TO WORK DIRECTLY WITH PRIVATE COMPANIES AND SEES NO PARTICULAR POINT IN ANOTHER GOVERNMENT-TO-GOVERNMENT MEETING ON THIS SUBJECT. WE STRONGLY URGE THAT THIS WORKING GROUP BE DROPPED. OUR RECOMMENDATION IS BASED ON OUR BELIEF NOT ONLY WOULD SUCH A MEETING BE UNPRODUCTIVE, BUT ALSO IT COULD BE HARMFUL, I.E., INDIANS WILL HAVE TO GET USED TO NEGOTIATING THIRD COUNTRY COOPERATION WITH US PRIVATE SECTOR AND SHOULD NOT BE DIVERTED TO GOVERNMENT-TO-GOVERNMENT TALKS. COOPERATION WITH OPIC COULD TAKE PLACE IN OTHER CHANNELS.

4. ECONOMIC/COMMERCIAL SUBCOMMISSION. IT IS PROBABLY TOO EARLY TO BEGIN CONSIDERATION FOR THE AGENDA OF THE MARCH ECONOMIC/COMMERCIAL SUBCOMMISSION. IF SIGNIFICANT CHANGES IN INVESTMENT POLICIES DO MATERIALIZE, IT WILL BE A WORTHWHILE SUBJECT FOR REVIEW.
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WE WOULD ALSO RECOMMEND THAT THE SUBCOMMISSION FOCUS ON PROBLEMS OF EXISTING US INVESTORS TO EXTEND THEY ARE NOT RESOLVED BY THEN. WE SHOULD HAVE A CLEARER PICTURE OF POSSIBLE OTHER SUBJECTS, E.G., TRADE EXPANSION POSSIBILITIES, WITHIN THE NEXT MONTH.
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